

**ANNUAL REPORT
OF THE
LOCAL GOVERNMENT
FINANCE STUDY COMMISSION**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789**

November, 2001

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2001

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Fiscal Analyst for the Commission

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Commission can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation directing the Commission to study the following:

- (1) Ways to simplify and recodify statutory property tax controls.
- (2) Revenue sources and uses of the revenue.
- (3) The impact of property tax controls on economic development.
- (4) Alternative sources of revenue that are not derived from property taxes.
- (5) Substantive changes to the Barrett Law.

The Legislative Council assigned the following additional responsibilities to the Commission:

- (1) Volunteer firefighter insurance.
- (2) Local public improvement areas.
- (3) Northwest Indiana local government finance.

II. INTRODUCTION AND REASONS FOR STUDY

The Commission was originally established under P.L. 32-1992, Section 8 and reestablished by P.L. 242-1997 for the purposes described above.

III. SUMMARY OF WORK PROGRAM

The Commission met for the first time during the 2001 interim on October 3 at the State House. The Commission's second and final meeting of the interim was held October 25 at the State House.

IV. SUMMARY OF TESTIMONY

The Commission heard testimony on the following topics:

- (1) The 2002 general reassessment.
- (2) The reorganization of the State Board of Tax Commissioners.
- (3) Automobile insurance coverage for volunteer firefighters.
- (4) Local public improvement areas.
- (5) County voting system purchase fund levies.
- (6) Local government budget review procedures.

(1) The 2002 general reassessment.

The Commission heard testimony that most of Indiana's counties are on schedule to complete the general reassessment near the deadline. The Commission received an update on the counties' progress as of October 3, 2001. The Commission was reassured that most of the

counties will be finished in a reasonably timely way that will permit an orderly budget making process in the late summer of 2002.

(2) The reorganization of the State Board of Tax Commissioners.

The Commission was reminded that effective January 1, 2002, the State Board of Tax Commissioners will be replaced by two new state agencies: the Department of Local Government Finance and the Indiana Board of Tax Review. The Department of Local Government Finance will be responsible for the rules and procedures of property assessment and local government budget making. The Indiana Board of Tax Review will assume the State Tax Board's duty to process individual property tax appeals.

(3) Automobile insurance coverage for volunteer firefighters.

The Commission heard conflicting views on the topic of automobile insurance coverage for volunteer firefighters. The Commission was told that volunteer firefighters fear that their personal automobile insurance policies will not cover an accident occurring while in route to an emergency in their personal vehicles. The firefighters fear that an accident could be excluded from the coverage of their policies on the grounds that their use of their personal vehicles to respond to an emergency constitutes a "business use" or under specific exclusions for fire fighting activity.

Representatives of two insurance companies testified that their policies do not contain a specific exclusion for fire fighting activity and that the companies would pay claims arising from a firefighter's use of a personal vehicle to respond to an emergency.

The representative of an insurance company that does issue policies containing a "fire fighting activity" exclusion explained to the commission that the exclusion refers to situations in which the fire fighter's vehicle is actually used to fight a fire. The commission was assured that the exclusion would not apply to a fire fighter's use of a vehicle to drive to the scene of the fire or to the fire station. The representative testified that an accident occurring in route to an emergency scene would be covered by the company's policies.

The Commission also heard testimony that additional coverage for the use of personal vehicles is widely available to the volunteer fire departments that insure the department's vehicles.

The commission learned that Indiana does not have a statute addressing the issue, nor has the Department of Insurance issued a regulation or bulletin on the matter. While California has a statute providing protection to volunteers who use their personal vehicles in their volunteer activities, counsel reported that electronic searches had otherwise failed to discover a statute from any other state on point.

(4) Local public improvement areas.

Proponents of the local public improvement area concept described the areas as a means to reduce the cost of housing in new developments. The current practice is for the developer to pay the costs of necessary infrastructure improvements with financing from the private sector. The proponents advocated legislation that would enable local governments to designate the geographic area of a new housing development as a public improvement area and allow the area to finance infrastructure improvements with tax exempt bonds. The bonds would in turn be repaid from the proceeds of special assessments paid by the homeowners in the development. The savings realized by the homeowners are attributable to the lower interest rates associated with tax exempt bonding.

The Commission heard that the concept has been used in five states thus far: New Mexico, Massachusetts, Maryland, Virginia, and Illinois.

(5) County voting system purchase fund levies.

County governments have been mandated to improve their voting systems. A county may use either its general fund or a voting system purchase fund to fulfill the mandate. The problem that counties face is that the voting system purchase fund is subject to the property tax levy limits. Therefore, the use of either fund may require a corresponding reduction in other areas of the county budget to accommodate the voting system purchase.

(6) Local government budget review procedures.

Representatives of the State Board of Tax Commissioners presented the Commission with a list of proposed statutory changes concerning the local government budget procedures. Many of the proposals were related to 1997 law changing the definition of assessed value from 33% of true tax value to 100% of true tax value. The State Tax Board also offered suggestions relating to the ongoing general reassessment and to streamline the budget review process.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission made no findings of fact during the 2001 interim.

The Commission recommended the passage of Preliminary Draft 3493 which would reestablish the Commission following its scheduled expiration on November 2, 2001.

WITNESS LIST

Mr. Rick Ainsworth
Ms. Karen Arland
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Ms. Sandy Bickel
Mr. Steve Buschmann
Mr. Mike Chrysler
Mr. Tim Downing
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